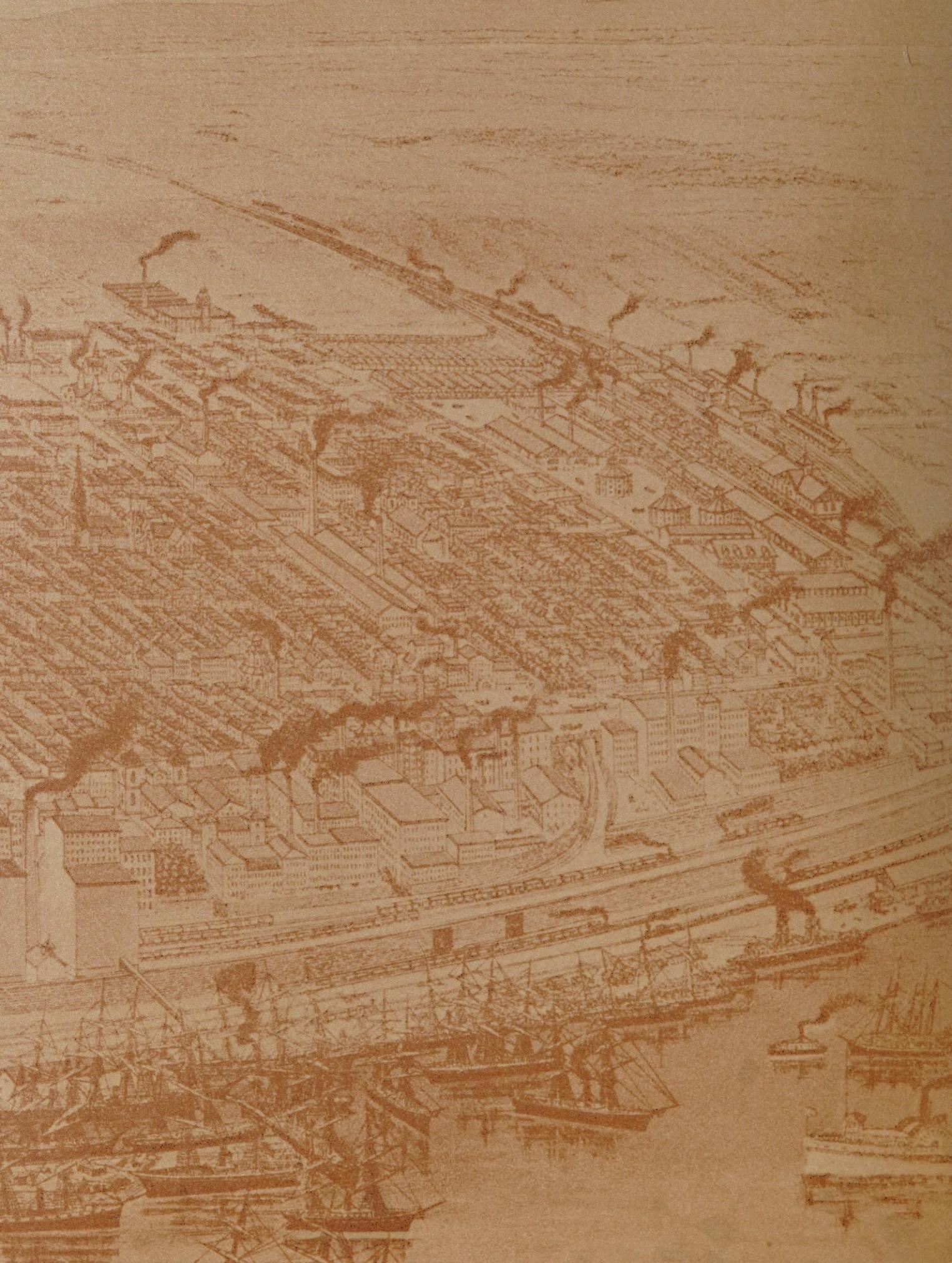


 Montreal Trust 87th Annual Report 1976

AR08

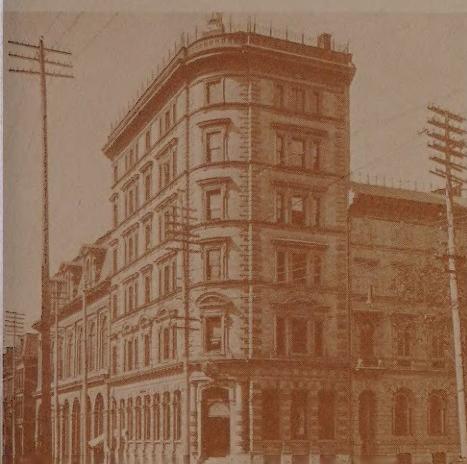
R.O.B.



The Progress of a Company with its Country

The growth of Montreal Trust from small safe deposit company to a large corporation national in both character and scope has taken some 37 years. During that time, your Company has been associated directly and indirectly with many of the personalities and events which have helped to shape Canadian history. The temper of those years is revealed in the old minute books of Montreal Trust. With this in mind, we have culled some events recorded in our minute books and related them to certain contemporary happenings in the history of our country.

1889 — Queen Victoria, at age seventy, rules much of the world, including Canada. Sir John A. Macdonald is our Prime Minister, basking in the marvel of a Canada united coast-to-coast by the CPR just four years earlier. Four men from Montreal and one from Boston apply for incorporation in the name of The Montreal Safe Deposit Company. They wish to act as bailees for safe-keeping and storage of jewelry, plate, money, bullion, securities, documents . . . and to lease vaults.



First office of The Montreal Safe Deposit Company

The men are John Brookes Young, Alexander L. Strathy, Harrison Brookes Young, Albert J. Brown and William Harney. Strathy is the first Managing Director (part-time) at a wage of \$120 per month.

1891 — The first General Meeting of Shareholders of this new company is held on January 27th. The man elected as first President is Sir Donald A. Smith of CPR fame. Later he will become Lord Strathcona and Mount Royal but for now he does not consider it beneath his dignity to work in the basement of the Royal Insurance Building at Place d'Armes where the new company is headquartered. During the convivial chit-chat that follows the meeting someone notes that the latest census shows the Canadian population at 4,833,239. An increase of half a million in just ten years!

1892 — The first wills are accepted for safekeeping. \$1 per annum and a rather pessimistic \$5 for life. The Managing Director is instructed to procure two trustworthy men to act as gatemen and vault officers, to be adequately bonded and paid a monthly stipend of \$30. A sign of quickening commerce is the formation of the North American Canal Company to deepen the St. Lawrence River. Practically unnoticed at the time are the efforts of the Dixon Carriage Works in Toronto to produce a motor car. They succeed in doing just that the following year.

1895 — The name of the Company changes to accommodate the trust powers which have been granted. Now the Company can act as corporate executor as The Montreal Trust and Deposit Company. It is noted in the minutes that the lowest tender for the building of a vault and deposit boxes is \$32,000. It will be built of fine steel, although some comment centres on a new metal called aluminum, recently manufactured near Niagara Falls.

1896 — Mr. Strathy is offered full-time employment. He gratefully accepts, even though he can no longer do brokerage business from his office. As Strathy's fortunes begin to rise, the

fortunes of others are open to improvement as word of the Klondike gold strike flashes across Canada and around the world. In the same year, Quebec is extended to Hudson's Bay, adding 188,450 square miles to its area.

1898 — The first will appointment is accepted. It is also during this year that the first fee for executorship is received in the amount of \$200. Space becomes a problem, and the Directors gather in the vault to deliberate. They welcome the news of the Company's first activity as stock transfer agent for the Toronto Street Railway.

1899 — Sir Donald, now Lord Strathcona, resigns. Of much greater consequence to employees and stockholders alike, is the confrontation which sends Canadian volunteers to fight in South Africa. Closer to home, the Soulanges Canal opens, completing a waterway from Quebec to Lake Superior.

1900 — Shareholders are advised of a net loss on the year of \$107.66. This in spite of the fact that all the \$5 safe deposit boxes are rented.

1901 — M. Hector Prévost inquires about the ability of the Company to manage his real estate and collect rents. The corporate response is immediately to hire someone with the requisite skills and elect M. Prévost to the Board. Black armbands worn by the staff are testimony to the death of Queen Victoria.

1902 — The physical structure of the Company is at long last enlarged by acquiring another part of the headquarters building. A new Managing Director, Mr. Crombie, writes the minutes for 1902 with what must have been a paint brush, since much of what happened to the Company during that year is obscured. Fortunately the rest of Canada enjoys improved communications as wireless messages now flash across the Atlantic.

Highlights

The bird's eye view of the City of Montreal was drawn, published and lithographed in 1889 — the same year in which the company was founded.

The original is in the National Map Collection, Public Archives Canada, Ottawa.

	1976	1975
REVENUE	\$ 52,972,000	\$ 46,292,000
NET OPERATING INCOME	\$ 4,967,000	\$ 4,257,000
PER SHARE	\$1.93	\$1.65
NET INCOME	\$ 5,015,000	\$ 4,445,000
PER SHARE	\$1.95	\$1.72
DIVIDENDS	\$.80	\$.70
TOTAL ASSETS	\$859,270,000	\$767,717,000
SHAREHOLDERS' EQUITY	\$ 44,936,000	\$ 41,982,000



Contents

Highlights

The Progress of a Company with its Country	1
Board of Directors	5
Officers	6
Report to Shareholders	7
Consolidated Financial Statements:	
Income	11
Balance Sheet	12
Retained Earnings	14
Auditors' Report	14
Notes to Financial Statements	15
Commentary 1976	16
Ten Year Summary	20
Advisory Boards	
Branch Offices and Real Estate Offices	

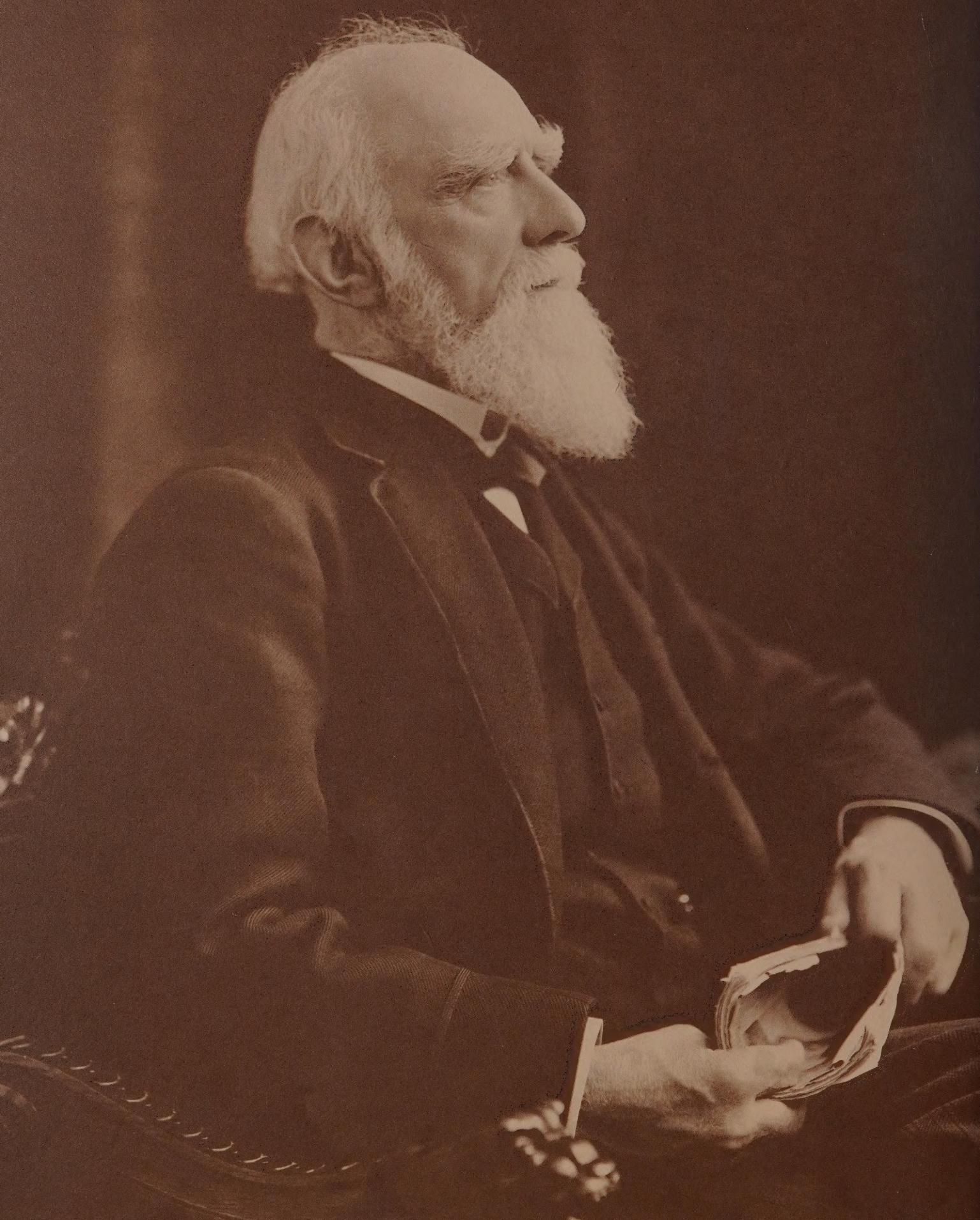
Montreal Trust
1 Place Ville Marie
Montreal, Quebec H3B 4A8



Member of the Trust Companies
Association of Canada

Si vous préférez recevoir ce rapport
en français, veuillez vous adresser
au secrétaire, Montréal Trust.





903 — The new President, Mr. George Hague shows great optimism at the Annual Meeting when he says "It is but a question of time when mostly all testators will appoint trust companies as executors". In a Christmas mood, the Directors declare a staff bonus of \$350 to be distributed by the Managing Director at his discretion. Meanwhile, also thinking about the North Pole, but for another reason, Roald Amundsen begins his successful Northwest Passage crossing.

904 — Mr. Crombie's paint brush strikes again. But in the Canadian West, Hard Red Calcutta is crossed with Red Fife to yield the incredible, rust-resistant spring wheat — Marquis. This botanical marvel will have measurable impact on the subsequent fortunes of western farmers and indeed, on the prosperity of all Canadians.

905 — The authorized capital of the Company is increased to \$1,500,000. No doubt in the same expansive mood the provinces of Alberta and Saskatchewan join Confederation. But topping all news that same year is the discovery of the greatest gold producing area in the western hemisphere . . . Porcupine!

906 — The highest earnings in the history of the Company are recorded — \$20,000. And in another remarkable heavy-weight performance, Tommy Burns from Hanover, Ontario wins the world heavyweight crown in Los Angeles.

907 — The first dividend is declared and dividends have been paid continuously ever since). W.M. (Max) Aitken, later Lord Beaverbrook, becomes Managing Director. He opens the first branch office in Halifax with the purchase of the Commercial Trust Company for \$65,000. Elsewhere in Nova Scotia, famous inventor Thomas Edison, a member of a Digby family, is one of the founders of a plant to develop electric power from coal.

1908 — The suggestion of an office for Quebec City is approved. (It opens, finally, in 1955.)

1909 — A Toronto office of Montreal Trust is opened and Max Aitken negotiates the sale of the majority of the Company's shares to the Royal Bank of Canada. (This controlling interest will be relinquished subsequently.) Needless to add, the Company account is transferred to the Royal Bank from the Bank of Montreal. In a similar high-flying mood, J.A.D. McCurdy pilots a heavier-than-air craft above Baddeck, Nova Scotia. This is also the year for a new President, Herbert S. Holt and a new area of activity; time deposits at 3½% to 4%.



J.A.D. McCurdy flying the Silver Dart

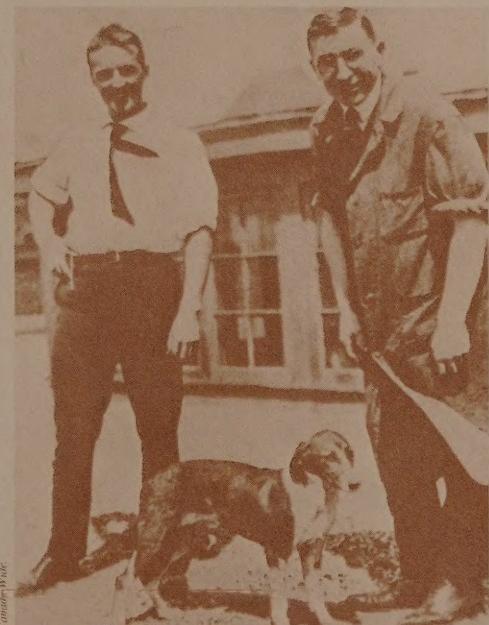
1910-1911 — Expansion! A branch is opened in Winnipeg and authorization is received to do business in Puerto Rico, Cuba and Barbados. Gold is discovered at Kirkland Lake by W.H. Wright. A few months later, Harry Oakes stakes the Lakeshore mine nearby.

1912 — A new issue of Montreal Trust stock sends corporate optimism soaring and Alys McKay Bryant makes the first solo flight by a Canadian woman.

1914-1918 — Notwithstanding the absence of many staff members and the disruption of business, the Company's earnings increase in 1914. For the first time regulations are issued for money and banks, and bank notes replace Dominion notes. In 1916 a Vancouver Branch is opened. In 1917 the "skyscraper" at 511 Place d'Armes is purchased for \$400,000. Amid all the scuffle something called income tax is introduced.

1919 — In Montreal at the Annual Meeting of the Company one of the Directors remarks "many of Montreal's wealthiest and most prominent people have filed their wills with us". Testament, no doubt, to the sense of permanence the Company now exhibits. Canada signs the Treaty of Versailles and is elected an independent member of the League of Nations. Sir Robert Laird Borden, former Conservative now Unionist, is Prime Minister.

1921 — Montreal Trust publishes its Annual Statement for the first time and William Lyon Mackenzie King begins the first of 22 years as PM. Banting and Best discover insulin.



Frederick Banting and Charles Best, discoverers of insulin

1924 — The Turner Valley field begins producing oil. Gold is discovered at Rouyn, Quebec. Montreal Trust's paid up capital is now \$1,000,000 and a dividend of 15% is paid.

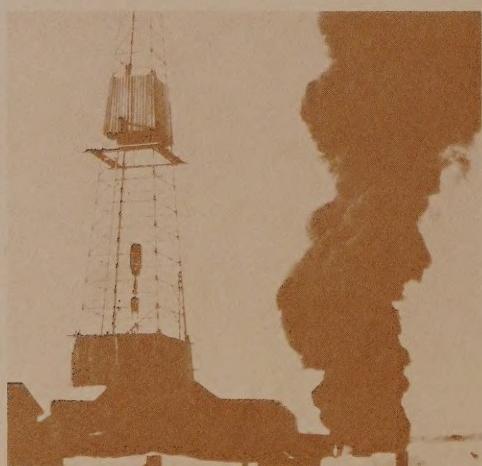
1929 — A 5% salary cut for all employees of Montreal Trust heralds the arrival of the Great Depression. However, all employees are kept at their jobs.

1935 — 10 political parties nominate a record 894 candidates for 245 seats in the general election. Mackenzie King and the Liberals sweep 171 while the Conservatives under Bennett fall to 39. Montreal Trust now has 80,000 shares outstanding.

1941 — Sir Herbert Holt, President of Montreal Trust for 32 years, passes on. Canada mourns many deaths this year as the Second World War intensifies.

1942 — The Alaska Highway opens from Fairbanks to Dawson Creek. The St. Roch, an R.C.M.P. vessel completes a voyage of the Northwest Passage from west to east. F.G. Donaldson, President of Montreal Trust, commenting on company expansion, calls branches "a damn nuisance".

1945 — At the end of World War II the Company acknowledges the sacrifice of employees who left to join the service and gives full credit with respect to their seniority.



The first well in the Leduc oil field

1946-1949 — A Victoria Branch opens. Following the Leduc oil find in Alberta, a Calgary Branch is opened. Under the presidency of Wilbert H. Howard a London Branch is opened. Northern Trust in Regina and Maritime Trust in Saint John, N.B. are acquired. The pension division of the Company commences operations. With the turmoil that would typify his career, Joey Smallwood becomes the only living Father of Confederation.

1954 — Northern Trust takes on the name Montreal Trust and the engineers and financiers of Canada and the United States take on a mammoth project — the St. Lawrence Seaway.

1955 — The approval vote of 1908 bears fruit as a Quebec City Office is opened. Brockville Trust and Savings is acquired. In Montreal there is a riot as Maurice Richard is suspended from hockey.

1957 — Lester B. Pearson becomes the first Canadian to win the Nobel Peace Prize, but his party loses the June election to John George Diefenbaker. The Prince Edward Island Trust Company becomes part of Montreal Trust and on another island further south, Montreal Trust Company (Bahamas) is incorporated.

1958 — The Maritime Trust Company is brought under the Montreal Trust banner. Canadian broadcasting is brought under the control of the Board of Broadcast Governors — the intent is to challenge the cultural pressures of American mass media.

1959 — A first for the Company — Savings Deposit Accounts. A first for Canada — a nuclear power station to be built at Chalk River, Ontario. In Quebec, death ends the reign of Maurice Duplessis, Premier for eighteen years.

1961 — The Acadia Trust Company of Truro, Nova Scotia is acquired. Branches are opened in Ottawa and Sudbury.

1962 — Head Office moves to the most exciting new building in Canada — Place Ville Marie. Other excitements: Canada's spacecraft Alouette is launched and the Trans-Canada Highway is completed.



Montreal Trust's Head Office, Place Ville Marie

1963 — Canada makes a wheat sale worth \$500 million to Russia. The Board of Directors, meeting in Toronto, authorizes the construction of a new Toronto office building.

1965 — Montreal Trust gets new headquarters in Toronto and Ottawa. Canada gets a new flag after closure is imposed in the House of Commons to end one of the longest and most bitter debates in our history.

1967 — 100 years of Confederation. Montreal Trust helps welcome the world to Canada by participating in Expo '67, at the Pavilion of Economic Progress.

The 10 years of Canadian history which follow Canada's Centennial Year are familiar to us all and the last 10 years of corporate history are recorded in recent Annual Reports.

Board of Directors

December 31, 1976

CLARENCE E. ATCHISON

Vice-Chairman of the Board
The Investors Group, Winnipeg

†DOUGLAS A. BERLIS, Q.C.

Messrs. Aird, Zimmerman & Berlis
Toronto

ROBERT W. BONNER, Q.C.

Chairman
British Columbia Hydro
and Power Authority, Vancouver

KENNETH H. BROWN

O.B.E., Q.C.
Messrs. Lafleur, Brown, Culver,
Wilson & Claxton, Montreal

FRANK E. CASE

Officer Consultant, Brockville

ARTHUR J.E. CHILD

President and Chief Executive Officer
Burns Foods Limited, Calgary

**STUART A. COBBETT

Retired, Montreal

*PETER D. CURRY

President, Power Corporation of
Canada, Limited, Montreal

PAUL DESMARAIS

Chairman and Chief Executive Officer
Power Corporation of Canada, Limited
Montreal

*JAMES R. DRUMWRIGHT

Senior Vice-President
Bank of America NT & SA, New York

HON. JOHN M. GODFREY, Q.C.

Messrs. Campbell, Godfrey & Lewtas
Toronto

*MATTHEW S. HANNON, Q.C.

Messrs. Ogilvy, Montgomery, Renault,
Clarke, Kirkpatrick, Hannon & Howard
Montreal

*†ROBERT H. JONES

President and Chief Executive Officer
The Investors Group, Winnipeg

J. TAYLOR KENNEDY

President and Chief Executive Officer
Canada Cement Lafarge Ltd., Montreal

HON. JEAN LESAGE

P.C., C.C., Q.C.
Messrs. Lesage, Demers & Lesage
Quebec

R. deWOLFE MacKAY, Q.C.

Messrs. Duquet, MacKay, Weldon &
Bronstetter, Montreal

JOHN E. MAIN

Retired, London

*†MacKENZIE McMURRAY

Chairman of the Board, Dominion Bridge
Company, Limited, Montreal

J. WILLIAM E. MINGO, Q.C.

Messrs. Stewart, MacKeen & Covert
Halifax

*†GAETAN C. MORRISSETTE

Deputy Chairman of the Board
Standard Brands Limited, Montreal

*PAUL BRITTON PAIN, Q.C.

Chairman of the Board and President
Montreal

ARTHUR P. PASCAL, C.M.

Executive Vice-President
The J. Pascal Hardware Co. Limited
Montreal

*DOUGLAS J. PEACHER

Company Director, La Jolla, California

†ALBERT E. SHEPHERD, Q.C.

Deputy Chairman of the Board
Commonwealth Holiday Inns of Canada
Limited, London

HERSHELL A. SMITH

President, Sooke Forest Products Ltd.
Victoria

CHARLES E. STANFIELD

Company Director, Truro

ARTHUR V. TOUPIN

Executive Vice-President
Senior Administrative Officer
Bank of America NT & SA
San Francisco

*Executive Committee Member

†Audit Committee Member

**Deceased February 7, 1977

Officers

Paul Britton Paine, Q.C.
Chairman of the Board and President

Matthew S. Hannon, Q.C.
Chairman of the Executive Committee

Harold T. Martin
Executive Vice-President and General Manager

HEAD OFFICE

Douglas T. Waite
Vice-President, Client Services

J. Gordon Telfer, C.A.
Vice-President, Finance

John H. Baker
Vice-President, Mortgage Loans
and Real Estate

Norman Cunningham
Vice-President, Investments

J. Frank Luce
Vice-President, Personnel

J. Grant Paterson
Vice-President, Mortgages

W. Kenneth Proctor
Vice-President, Administration

J. Kevin Reynolds
Company Secretary

William J. Owen
Comptroller

Anthony G. Best
Assistant Vice-President, Marketing

John J. Davidson
Assistant Vice-President, Administration

William J. Henderson
Assistant Vice-President
Pension and Fund Services

Robert J. Labelle
Assistant Vice-President, Mortgages

Douglas B. Macklaier
Assistant Vice-President, Corporate Services

Edward T. Mulkins
Assistant Vice-President, Real Estate

James P. Moore
Director, Personal Trust Services

REGIONAL

R. Ross Pritchard
Vice-President, Atlantic Region — Halifax

Jean Luc Dutil
Vice-President, Quebec Region — Montreal

Brian R. O'Malley
Vice-President, Ontario Region — Toronto

Gordon C. McDonell
Vice-President, Mid-West Region — Winnipeg

George Stephen
Vice-President, Western Region — Vancouver

Ronald Bond
Assistant Vice-President — Toronto

Donald R. Kester
Vice-President, Nassau, Bahamas
(Seconded to Trust Corporation
of Bahamas Limited)

Directors' Report to Shareholders

The Board of Directors is pleased to submit the Company's 87th Annual Report together with the Consolidated Financial Statements for 1976.

Continued progress in our affairs was demonstrated during the year. Net operating income was \$4,967,000 or \$1.93 per share and net income was \$1.95. The comparative figures for 1975 were \$1.65 and \$1.72 per share.

Revenue and Expense

Revenue for the year rose by \$6,680,000. Fees and commissions from trust and agency services increased \$2,325,000 and real estate commissions \$2,681,000. The Company elected not to increase fee scales from those in effect on October 13th, 1975 and the income from these services is therefore exempt from excess revenue tests under the Anti-Inflation legislation. Guaranteed account net income increased by a modest \$371,000. Interest rates were comparatively steady during the year, but at a higher level than in 1975. Net income from new business in this account was sufficient to offset the increased cost of funds used to finance older long-term investments. Interest, dividends and other income increased by \$1,303,000, attributable to a greater dollar volume of investment and higher interest rates.

Expense increased by \$6,046,000 with salaries accounting for \$2,313,000 of this additional cost. Real estate commissions paid were up \$1,685,000 in line with the increased commissions earned. Other expense increased by \$2,048,000.

The increase of \$634,000 in income before income taxes is approximately equal to the increase in Canadian dividend income and accordingly taxable income is close to that of the prior year. Slightly lower basic tax rates account for the reduction of \$76,000 in income taxes.

Balance Sheet

Total assets grew by \$91,553,000 to \$859,270,000. This compares favourably with 1975 growth of \$71,431,000. Assets held for Guaranteed Account rose \$86,832,000. The combined increase of \$25,959,000 in bank deposit receipts and secured loans arises from more favourable rates in these investments than were obtainable in short-term marketable securities. The balance of the reduction in marketable securities is partly due to maturing long-term low yield investments and partly due to a temporary reduction in short-term investments where our activities expand or contract depending upon our capacity to obtain and invest funds at a suitable interest spread. An investment in a vessel leased to the Province of British Columbia was added to the aircraft leases made in 1975 and these investments now total \$9,585,000. Last year the Company instituted the investment of guaranteed funds in preferred shares of taxable Canadian corporations where such shares have a redemption option or a mandatory

sinking fund. Purchases totalling \$2,755,000 in this category were added during the year, bringing our investment in such shares to \$4,722,000. Our main area of growth continues to be investment in mortgages. Mortgages net of repayments increased by \$103,833,000 to \$590,995,000. At December 31st, 1976, five-year term mortgages amounted to \$428,201,000 (1975 — \$352,321,000) and were funded by five-year investment certificates to the extent of \$382,627,000 (1975 — \$327,510,000). One and two year mortgages introduced late in 1975 are adding a material volume to our mortgage portfolio and totalled \$42,754,000 at year-end. These mortgages are funded by deposits and short-term certificates.

Following confirmation of the By-law authorizing the Company to accept guaranteed deposits in an amount not exceeding twenty-five times the excess of the Company's assets over its liabilities, application was made to and approval received from the Province of Ontario to accept deposits not exceeding twenty-two and one-half times such excess.

Of the increase of \$2,869,000 in deferred taxes, \$1,715,000 is attributable to the aircraft and vessel leases and the balance is largely attributable to the reserve claimed for our mortgage and bond portfolio as permitted under the Income Tax Act.

At year-end shareholders' equity was \$17.44 per share compared with \$16.29 the year before.



By-laws

In October, 1976, By-law No. 10(1) was amended by the Directors to provide for the giving of shorter notice in order to convene a meeting of the Board to deal with matters of urgency. Shareholders will be asked to confirm this By-law amendment at the Annual General Meeting to be held on March 31st, 1977.

Directors

During the year we increased our British Columbia representation by the appointment of Robert W. Bonner, Q.C. to the Board of Directors. Mr. Bonner is Chairman of the British Columbia Hydro and Power Authority.

Advisory Boards

In 1976, the Hon. J. C. Crosbie, Q.C. and G. R. Parsons resigned from the Newfoundland Board. Mr. Crosbie submitted his resignation upon being elected a member of the House of Commons and Mr. Parsons' resignation was received when his firm amalgamated with Touche Ross & Co., the auditors of the Company. G. Douglas Hale resigned from the Brockville Board in order to assume the presidency of a company with its head office in the United States. J. W. Black resigned from the Saint John, N.B. Board having reached the mandatory age during the year.

The Company is indebted to these gentlemen for their contributions to the success of the respective branches.

In April, 1976, K. Peter Richard was appointed to the Truro Board. He is senior partner in the law firm of Richard and MacDonald in Antigonish, N.S. In January, 1977, the following appointments were made: Thomas S. A. Freeman to the Newfoundland Board, Doane Hallett, Q.C. to the Halifax Board and Lloyd Goldsmith to the Saint John, N.B. Board.

Dividends

In the latter part of the year the Directors again reviewed the Company's dividend policy in the light of improved earnings and in consequence declared an extra dividend of 20 cents payable December 31. Total dividends paid for the year were 80 cents per share.

Personnel

With effect February 1, 1977, Harold T. Martin was appointed Executive Vice-President and General Manager. In this new position, Mr. Martin is responsible for all operations of the corporation.

During 1976, Anthony G. Best was appointed Assistant Vice-President, Marketing and Edward T. Mulkins was appointed Assistant Vice-President, Real Estate.

Outlook

One of the more disturbing elements for the forward planning of business affairs is that of uncertainty. It has been a major ingredient in Canadian business generally in recent years; it is certainly not an area of deprivation for the trust industry in 1977. We have the proposed new banking legislation, with its many ramifications not yet resolved but which, depending upon their resolution, will impact upon our industry. The pending Borrowers and Depositors Protection Act, in the form in which it was initially tabled in the House of Commons, would amongst other things, alter substantially the established mortgage lending practices of many years. In Quebec, the election

of a government committed to a policy of forming a state separate from Canada poses questions for the whole of our country of dimensions which presently cannot be assessed.

In the face of these imponderables, what then do we see? We would hope and expect that the pending legislation will, in the course of passage into law, undergo the revisions required to recognize fairly the interests of the public and the institutions serving it. We do not view the Quebec situation differently. Ours is a national corporation formed in Quebec in 1889. It extended its activities to Nova Scotia in 1907 and thereafter throughout the whole of Canada. It is registered in and regulated by each of the Provinces, in effect constituting us not one operation but ten, for these jurisdictional divisions each assume control over the nature and extent of our activities within its sphere. We maintain as closely as may be mortgages and other assets in each Province proportionate to the deposits held in that Province. Assets held in trust are administered in the Province of origin save for certain co-mingled funds maintained at Head Office but administered under the laws of Ontario and Manitoba, their jurisdictions of origin. Within the framework of the various Provincial regulations (and certain Federal legislation to which we are also subject), our Company has made available specialized, valuable and valued services to all Canadian residents and institutions as well as their foreign counterparts with interests in Canada. The important talents and expertise which we represent country-wide will never become superfluous.

The general economic outlook indicates a slow period of world growth which threatens to undermine prospects for an export-led lift to the Canadian economy as we enter 1977. With several key sectors of our domestic economy in a weakened condition, the overall prospect is for little more than nominal real growth in the first half of the year. Some promise of an improvement in this situation is offered in the recent steady decline of short and long-term interest rates and the belief that the direction of fiscal policy will be towards stimulation in the early part of the year. Also encouraging are recent comments from Government departments which recognize the role of corporate profits in the investment and job creation process. Business investment stands out as a seriously weak link today and in the present context a new urgency is given to the early dismantling of the controls program or, at the very least, relaxation of the profits and dividend regulations.

In our opinion the Anti-Inflation Program has played a comparatively minor role in moderating price trends. Given the level of slack in the economy, we believe market forces will apply sufficient price constraints through late 1978 when the program, as presently constituted, is scheduled to end. The employment outlook requires an immediate redress of the business investment disincentive, for otherwise Canada faces a lengthy period of poor economic performance and serious social disruption.

Assuming new initiatives will shore up the economy and business activity as the year advances, we believe that consumer and business confidence will be on the rise by midyear. The pattern outlined implies growth of approximately four percent (or fractionally more) in 1977. While slightly higher than the consensus forecast, this estimate is well below 1976 aggregates and past trend lines of economic expansion to which Canadians have become accustomed. A carry through in 1978 is highly dependent on the economic performance of our world trading partners as well as the efficiency of our own economic management.

The proposed legislative and political changes to which we have referred earlier will undoubtedly impact on the operations of the Canadian trust industry. Despite numerous areas of general business concern, the lower interest rate plateau presently being formed provides the background necessary for continuing improved performance in our intermediary activity. Our business plan for 1977 assumes an increasingly competitive environment in many of our service areas. The origins of competition are from within our own industry and an expanding list of new entrants into the financial services field as well. We remain confident of our ability to meet these challenges.

We are indebted to our management and staff who have continued their fine performance on our behalf.

All shareholders are encouraged to attend the Company's Annual Meeting which will be held on March 31, 1977 at the Château Champlain Hotel, Montreal.

On behalf of the Board:



Paul Britton Paine, Q.C.
*Chairman of the Board
and President*

Montreal,
January 31, 1977

Consolidated Statement of Income

for the year ended December 31, 1976

	1976	1975
Revenue		
Fees and commissions	\$26,128,000	\$23,803,000
Real estate commissions	13,864,000	11,183,000
	39,992,000	34,986,000
Guaranteed Trust Accounts		
Interest earned		
Mortgages	51,532,000	41,417,000
Other investments	17,931,000	16,980,000
	69,463,000	58,397,000
Less interest paid	63,269,000	52,574,000
	6,194,000	5,823,000
Interest, dividends and other	6,786,000	5,483,000
	52,972,000	46,292,000
Expense		
Salaries	18,374,000	16,061,000
Real estate commissions	8,830,000	7,145,000
Other expense — including depreciation and amortization of \$1,093,000 (1975 — \$972,000) and interest on the long-term debt of a subsidiary of \$452,000 (1975 — \$463,000)	17,694,000	15,646,000
	44,898,000	38,852,000
Income before income taxes	8,074,000	7,440,000
Income taxes — including deferred taxes of \$2,869,000 (1975 — \$1,831,000)	3,107,000	3,183,000
Net operating income	4,967,000	4,257,000
Profit on sale of investments and property, net of income taxes	241,000	188,000
Tax provision pertaining to the 1972 sale of a foreclosed property	(193,000)	—
Net income	\$ 5,015,000	\$ 4,445,000
Earnings per share		
Net operating income	\$1.93	\$1.65
Net income	\$1.95	\$1.72

Consolidated Balance Sheet

December 31, 1976

ASSETS	1976	1975
Assets held for guaranteed trust accounts		
Cash and bank deposit receipts	\$ 76,700,000	\$ 52,944,000
Loans, secured	17,063,000	14,860,000
Securities		
Marketable (2)	77,154,000	120,262,000
Not readily marketable	29,444,000	30,817,000
Mortgages	590,995,000	487,162,000
Mortgages for sale under agreement	6,605,000	5,084,000
	797,961,000	711,129,000
Company assets		
Cash and bank deposit receipts	4,016,000	5,697,000
Loans, secured	5,200,000	1,300,000
Accounts receivable and advances to clients	8,581,000	8,303,000
Marketable securities (2)	13,731,000	13,028,000
Mortgages	6,018,000	4,630,000
Real estate held for investment	1,487,000	1,549,000
Investments in and advances to associated companies	5,555,000	5,555,000
Office premises, equipment and leasehold improvements (3) ...	14,117,000	14,062,000
Other assets	2,604,000	2,464,000
	61,309,000	56,588,000
	\$859,270,000	\$767,717,000

On behalf of the Board:

Paul Britton Paine, Q.C., Director
Matthew S. Hannon, Q.C., Director

LIABILITIES	1976	1975
Guaranteed trust accounts		
Deposits	\$212,800,000	\$201,509,000
Investment certificates	<u>585,161,000</u>	509,620,000
	797,961,000	<u>711,129,000</u>
Company liabilities		
Accounts payable and prepaid fees	1,690,000	1,306,000
Income taxes		
Current	—	1,286,000
Deferred	6,508,000	3,639,000
Long-term debt of a subsidiary (3)	8,175,000	8,375,000
	16,373,000	<u>14,606,000</u>
SHAREHOLDERS' EQUITY		
Capital stock:		
Authorized — 5,000,000 shares of \$1 par value		
Issued — 2,576,675 shares (4)	2,577,000	2,577,000
Contributed surplus	5,799,000	5,799,000
Retained earnings	36,560,000	33,606,000
	44,936,000	41,982,000
	\$859,270,000	<u>\$767,717,000</u>

Consolidated Statement of Retained Earnings

for the year ended December 31, 1976

	1976	1975
Balance at beginning of year	\$33,606,000	\$30,965,000
Net income	5,015,000	4,445,000
	38,621,000	35,410,000
Dividends	2,061,000	1,804,000
Balance at end of year	\$36,560,000	\$33,606,000

Auditors' Report

To the Shareholders,
Montreal Trust Company.

We have examined the consolidated balance sheet of Montreal Trust Company as at December 31, 1976 and the consolidated statements of income and retained earnings for the year then ended, and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1976 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, all according to the best of our information and the explanations given to us and as shown by the books of the companies.

TOUCHE ROSS & CO.
Chartered Accountants
Montreal, Quebec, January 31, 1977.

Notes to Consolidated Financial Statements

December 31, 1976

1. Summary of Significant Accounting Policies

The financial statements of the Company include the accounts of the Company and its subsidiaries, all of which are wholly-owned. The principal subsidiaries are The Acadia Trust Company, Montreal Trust Mortgage Corporation, Riveredge Village Inc., Treal Properties Limited and Treaver Properties Limited.

The investment in associated companies is stated at cost and earnings of associated companies are taken into income only to the extent of dividends received. These and the Company's interest therein at December 31, 1976 were: RoyNat Limited (13.5%), RoyWest Banking Corporation (7.5%), Insmor Holdings Limited (7.14%), Montreal Trust (Bermuda) Limited (40%), Montrad Limited (50%), Alberti Navigation Inc. (10%), and Pacific International Trust Company (12.5%).

All revenue and expenses are recorded on an accrual basis except for fees subject to awards by courts or negotiation, which are recorded on a cash received basis. Income from the aircraft and vessel leases is taken up over the term of the leases pro-rata to the declining balance of the investment not yet recovered. Debt securities and mortgages are valued at amortized cost, other securities are valued at cost. Gains or losses on sale of securities, based on average cost, are reflected in net income. Premises and equipment are stated at cost less accumulated depreciation and amortization. This year, shareholders' equity is presented in the more commonly accepted detail of capital stock, contributed surplus and retained earnings and 1975 has been restated accordingly. There were no changes in accounting principles from the prior year.

Assets held under administration and assets held for Guaranteed Trust Accounts are kept separate from the Company's own assets and are so earmarked on the books of the Company as to show the account to which they belong. Assets under administration are not reflected in the Consolidated Balance Sheet.

2. Marketable Securities

	1976		1975	
	Cost	Market	Cost	Market
Guaranteed Trust Accounts —				
Government of Canada	\$12,831,000	\$12,036,000	\$ 15,900,000	\$ 14,494,000
Provinces of Canada	5,310,000	4,983,000	10,815,000	10,255,000
Canadian municipalities	620,000	624,000	1,792,000	1,763,000
Corporate bonds, debentures and obligations	44,086,000	43,796,000	87,029,000	86,126,000
Aircraft and vessel certificates*	9,585,000	9,585,000	2,759,000	2,759,000
Stocks	4,722,000	4,884,000	1,967,000	1,952,000
	\$77,154,000	\$75,908,000	\$120,262,000	\$117,349,000

* Aircraft certificates represent part ownership of two aircraft leased to Air Canada net of a liability of \$2,555,000 which is secured by a mortgage on an aircraft and the related lease payments. The vessel certificate represents part ownership of a vessel leased to the Province of British Columbia.

Company Accounts —

Government of Canada	\$ 193,000	\$ 176,000	\$ 136,000	\$ 116,000
Provinces of Canada	562,000	509,000	521,000	456,000
Canadian municipalities	40,000	35,000	—	—
Corporate bonds, debentures and obligations	104,000	84,000	31,000	24,000
Stocks	12,832,000	12,499,000	12,340,000	11,469,000
	\$13,731,000	\$13,303,000	\$ 13,028,000	\$ 12,065,000

3. Long-Term Debt

Treal Properties Limited, a subsidiary company, has outstanding 5½% first mortgage sinking fund bonds due April 1, 1991. Office buildings in Toronto and Ottawa owned by the subsidiary and occupied by the Company, with a net book value of \$8,625,000 are pledged as security for the bonds. Sinking fund payments, ranging from \$200,000 to \$250,000 are due in 1977 to 1990 and the balance of \$5,000,000 is due April 1, 1991. The buildings are being depreciated by annual amounts equal to the sinking fund payments, which by April 1, 1990 will amount to 50% of the original cost.

4. Capital Stock

Options have been granted to certain employees to purchase shares of the Company at prices ranging from \$11.25 to \$18.00 per share. In 1976 no options were granted or exercised and there were 20,375 shares under option at December 31, 1976.

5. Anti-Inflation Legislation

The Company is subject to the Federal Anti-Inflation legislation relative to prices, profits, compensation and dividends. In the opinion of management the Company has operated and continues to operate in compliance with the legislation and supporting regulations.

Commentary 1976

Mortgages

1976 proved to be a record year in terms of new commitments issued for the Guaranteed Account and of loans placed for investor clients. Commitments totalled \$250 million for the year, an increase of 30% over 1975. We continue to emphasize single family residential loans for our Guaranteed Account. The record volume of loans committed reflects our continuing efforts to broaden our base of investor clients as well as a substantial increase in loans placed in our Guaranteed Account.

We presently administer over 26,500 mortgages, totalling \$1.1 billion for more than 150 investor clients. These investors include private and self-administered pension funds as well as several major insurance companies.

Total mortgages under our administration now approximate \$1.7 billion. Given reasonable economic conditions we expect our 1977 lending activity to exceed the record volume achieved in 1976.

Real Estate

In 1976 Real Estate gross sales commissions reached \$13.9 million, a new high for the Company and a 24% increase over the preceding year's figure.

During the year, we acquired a successful real estate company in the Vancouver area which strengthened our position in that city. Four offices

which were judged insufficiently productive were closed out. A new office was opened in the Toronto area and two other locations were expanded into fully integrated real estate offices resulting in a year-end total of 45 real estate offices operating from coast to coast.

In the coming year, emphasis will be on increased profitability through the maximum utilization of existing offices. Our efforts will be directed to recruiting, training and upgrading staff. National prominence in the mortgage field will continue to assist us in attracting high calibre personnel.

Our Home Relocation Plan added 16 new clients and the income from this source added substantially to our sales volume.

Guaranteed Trust Accounts

The Guaranteed Section of the Retirement Savings Plan continued to be the most popular choice of contributors. These funds, together with deposits under the Registered Home Ownership Savings Plan, were the principal sources of our growth in deposit funds. Our higher interest rate 65 Plus savings account introduced in 1971 was the first special account for older persons offered by a major financial institution. We have now made these bonus interest rate accounts available to those 60 years of age and over.

In 1976, we introduced a five-year Investment Certificate with interest compounding to maturity and which qualifies as a Retirement Savings Plan investment. These five-year certificates are an additional source of funds for investment in five-year mortgages. Growth in Investment Certificates continued at a satisfactory pace. The number of certificate holders increased by 4,600 to 46,400 and total certificates outstanding increased by 11,500 to 75,700. Five-year Investment Certificates were the main source of growth with the number of these certificates increasing by 10,500 to 62,600.

Corporate Services

The demand for corporate trust services continued to be strong during the year, resulting in income objectives being surpassed.

New appointments as Trustee of debt issues of Canadian corporations exceeded \$1.5 billion. Following the trend established in 1975, a substantial portion of the new issues were placed in European markets. Appointments included one of the largest and most complex debt issues yet made by a Canadian corporation. Our appointment was a further recognition of the expertise and capability of this Department's personnel.

Stock trading activity improved slightly during the first few months of the year then drifted narrowly until the final month when volume and prices turned upwards. Revenues for the Stock Transfer Department were at levels moderately higher than in 1975.

Personal Trust Services

Assets under administration in our Personal Trust Department continued to show steady growth in 1976 and at year-end approximated \$3.6 billion.

New business was vigorously pursued, with greater emphasis placed on cross-selling clients of our Company's other services. The results were most encouraging, enabling us to meet most of the ambitious new business objectives established at the beginning of the year.

Staff development programs were enhanced through the addition of specialized courses offered by the Trust Companies Association of Canada, and by the issuance of a new policy and procedures manual. These programs, combined with our own ongoing seminars, prepare our staff to cope with the rapid changes and increased complexities of today's business environment.

Profit margins were narrowed by rising costs, principally increased salaries and benefits. Because of the Anti-Inflation Program we maintained our freeze on fee structures and consequently were denied the increased income necessary to offset the higher costs of operation. In our continuing efforts to contain costs and increase productivity in this people-intensive area, plans are being pursued further to automate certain clerical functions.

Investment Funds

The Montreal Trust Retirement Savings Plan grew by approximately 18% during 1976. The total market value of the Plan is now approximately \$140 million. Popularity of mortgage investment was reflected in an increase of 80% of the funds invested in the Mortgage Section of the Montreal Trust Retirement Savings Plan to \$15.6 million.

A similar 80% increase in the market value of Montreal Trust Mortgage Fund has brought this fund to approximately \$27 million, including the Mortgage Section of the Montreal Trust Retirement Savings Plan.

Our Deferred Profit Sharing Plan has doubled in size with growth in both the Term Deposit and Mortgage Sections. We anticipate strong continued interest in this Plan during 1977.

In its second year of operation, the Registered Home Ownership Savings Plan continued to increase as projected.

We have embarked upon a program to streamline the computer services now handling recordkeeping for our Investment Funds. These changes will enable us to provide our clients with greater detail and explanation concerning their investments.

Pensions

Pension and benefit fund assets under administration continued to grow and now total approximately \$2 billion. Total assets of the Multiple Fund increased by 10% to over \$160 million at year-end with an increase in mortgage loans primarily responsible for the rise.

We have continued to build our client service resources. During 1976 the first stage of an ongoing staff training program was completed. A regular Pension Services Newsletter has been initiated. The first four issues, covering topics ranging from Pension Fund Investment Objective Setting to our Multiple Fund Investment Commentary, were well received by our clients and investment community associates.

We will be introducing a new pension payment system which will improve our ability to handle payments to pensioners and to make refunds to participants. This responsibility is an important and fast growing aspect of pension administration.

Branch Operations and Marketing

1976 was a record year for the Company in terms of earnings. Much of this improvement can be attributed to increased new business activity and improved administrative controls in the branches.

During 1976 management changes were made in two branches, Mr. S. R. Dreschel was appointed in Windsor and Mr. J. R. Haygarth in Kitchener. Work is underway to relocate and expand our Edmonton and Victoria branches and further branch expansion is planned for 1977.

Fundservice will relocate its operations in the Montreal Trust Building in Toronto and will be merged into our Toronto Branch.

A number of workshops for managers were held. They were designed to improve their expertise and to establish goals leading to better levels of performance in both administration and the development of new business. This process has been well received and will be continued in the coming year.

Late in 1975 a marketing information system incorporating both new business objective setting and monitoring, was instituted. During 1976 the procedure was refined and its usage significantly improved our marketing efforts.

A major market research project was undertaken during the year to develop a financial service data base of the attitudes and preferences of both clients and others. This information has been used successfully in developing promotional campaigns and should assist the Company in designing new services.

In 1976 we developed a comprehensive national sales training program for implementation in 1977. This program is expected to make a material contribution to our future growth.

Personnel Services

Our salary program was limited by A.I.B. regulations and we adjusted the timing of salary advances so that employees were able to receive full value of allowable increases. Benefit costs are closely related to salary costs; however, changes in legislation relating to human rights and other social considerations require revision of our benefit programs from time to time and in many instances the resultant changes increase our costs.

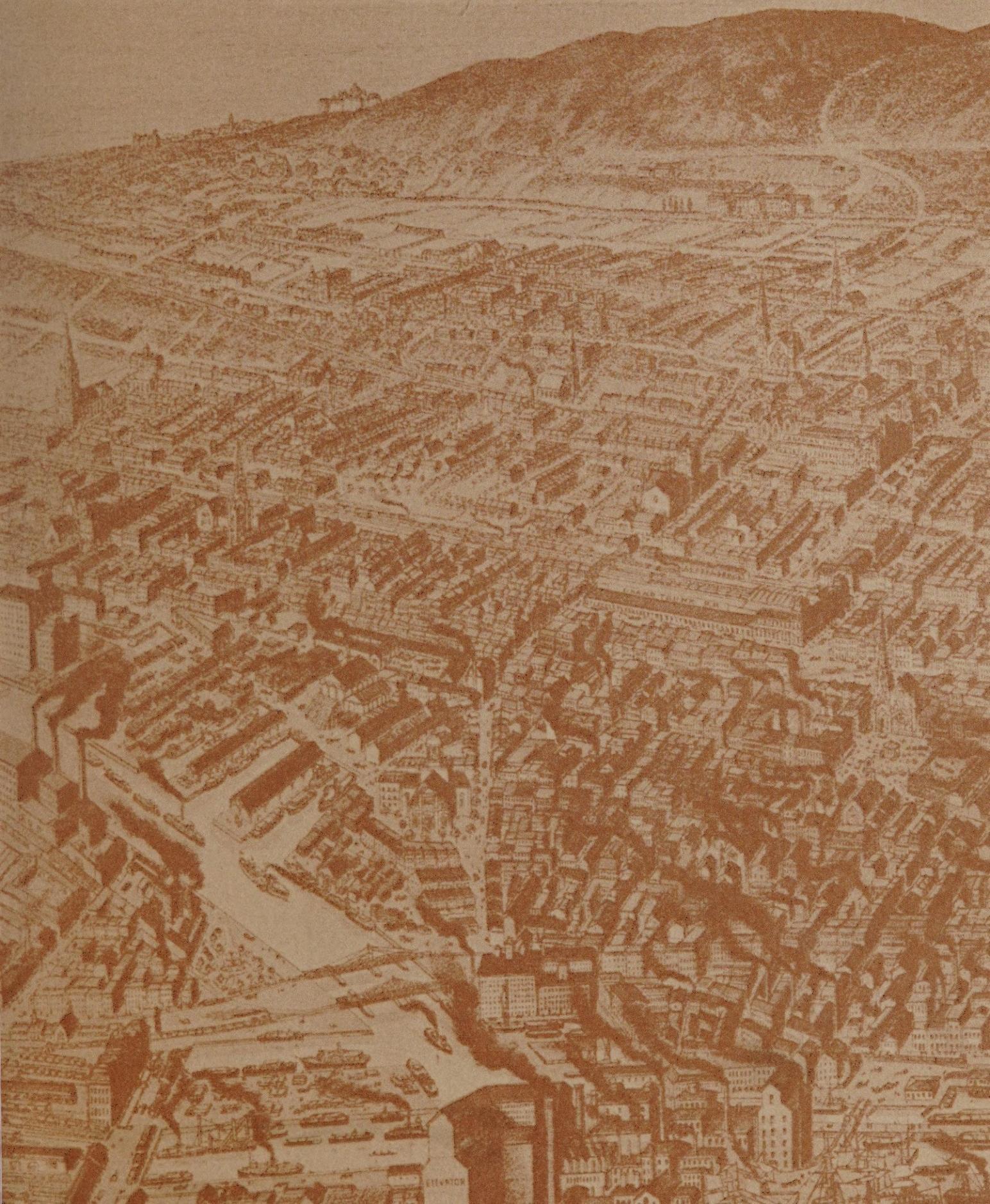
A major undertaking the past year has been the development and implementation of a system to automate and centralize our payroll and personnel records for more efficient administration, and control of salary and benefit expenses and for more effective staff resource planning.

Another highlight of the year was the commencement of a new education program and accreditation system through the Education Division of the Trust Companies Association (of which we are a member). Several of our senior employees were involved on the various curriculum committees and many employees have received accreditation at the Fellow, Member and Associate levels. The Trust Companies Association courses are providing a useful adjunct to our internal training programs which improve the professional qualifications and standards of employees in various client service and administrative functions.

10 Year Summary

YEAR	GUARANTEED AND COMPANY ASSETS	REVENUE	EXPENSE	TAXES ON INCOME	NET OPERATING INCOME	PER SHARE	
						NET OPERATING INCOME	*DIVIDENDS
1976	\$859,270,000	\$52,972,000	\$44,898,000	\$3,107,000	\$4,967,000	\$1.93	\$.80
1975	767,717,000	46,292,000	38,852,000	3,183,000	4,257,000	1.65	.70
1974	696,286,000	39,314,000	35,084,000	1,766,000	2,464,000	.96	.80
1973	627,441,000	37,551,000	29,832,000	3,519,000	4,200,000	1.64	.80
1972	593,222,000	33,913,000	25,479,000	3,860,000	4,574,000	1.82	.80
1971	545,298,000	30,991,000	23,320,000	4,000,000	3,671,000	1.50	.70
1970	509,682,000	25,624,000	22,569,000	1,435,000	1,620,000	.66	.55
1969	495,578,000	25,370,000	21,326,000	2,175,000	1,869,000	.76	.60
1968	450,144,000	21,950,000	19,247,000	1,147,000	1,556,000	.67	.60
1967	414,228,000	20,465,000	16,929,000	1,491,000	2,045,000	.93	.65

*Declared with respect to the year's earnings.



Advisory Boards

December 31st, 1976

Brockville, Ont.

*J. R. Anstis
F. E. Case
T. C. Cossitt, M.P.
J. W. Langmuir
T. A. Lindsay

Halifax, N.S.

*A. E. Johnson
S. S. Jacobson
D. A. Mercer
J. W. E. Mingo, Q.C.
W. O. Morrow
G. D. Stanfield

Newfoundland

*F. J. Ryan, Q.C.
D. R. Baird, C.A.
L. M. Brown
J. J. Greene, Q.C.
D. C. Hunt, Q.C.
C. C. Pratt

Saint John, N.B.

*J. H. Turnbull
A. D. Case
H. H. Gunter, Q.C.
L. Lockhart
J. A. MacMurray
G. R. Spencer

Truro, N.S.

*C. E. Stanfield
J. G. Glassey
R. L. MacDougall, Q.C.
R. J. MacLennan
Hon. G. I. Smith, Q.C.
F. T. Stanfield
W. H. Yeadon
K. P. Richard

Winnipeg, Man.

*C. E. Atchison
H. Buchwald, Q.C.
R. M. Chipman
F. O. Meighen, Q.C.
L. O. Pollard
C. S. Riley
D. Sprague, F.C.A.
A. Sweatman, Q.C.

*Chairman

Offices

HEAD OFFICE

1 Place Ville Marie
Montreal, Quebec

ATLANTIC REGION

HALIFAX, N.S.

R. Ross Pritchard, Vice-President and
Branch Manager
Paul J. Dyer, Deputy Manager
Hollis and Prince Streets

CHARLOTTETOWN, P.E.I.

Edgar G. Goss, Manager
119 Richmond Street

SAINT JOHN, N.B.

Cedric A. Stokes, Manager
61 King Street

ST. JOHN'S, NFLD.

Edgar N. Ellis, Manager
253 Duckworth Street

TRURO, N.S.

E. Keith Urwin, Manager
798 Prince Street

QUEBEC REGION

MONTREAL

Jean Luc Dutil, Vice-President and
Branch Manager
1 Place Ville Marie

Noella Coleman, Manager
Fairview Shopping Centre
Pointe Claire

QUEBEC CITY

Jean-Paul Labb  , Manager
500 Grande All  e East

Jadis Shopping Centre
Charlesbourg

ONTARIO REGION

TORONTO

Ronald Bond, Assistant Vice-President and
Branch Manager
Frank L. Austin, Deputy Manager
15 King Street West

BROCKVILLE

W. Peter Lewis, Manager
4 Court House Avenue

HAMILTON

Albert E. Hetherington, Manager
31 Main Street West

KITCHENER

John R. Haygarth, Manager
58 King Street East

LONDON

W. Frank O'Connor, Manager
160 Dundas Street

OTTAWA

Hugh R. Williams, Manager
96 Sparks Street

SUDBURY

Andrew Scipio del Campo, Manager
39 Durham Street South

WINDSOR

Stephen R. Dreschel, Manager
880 Ouellette Street

MID-WEST REGION

WINNIPEG, MAN.

Gordon C. McDonell, Vice-President and
Branch Manager
Frank E. Robinson, Deputy Manager
Portage at Notre Dame Avenue

REGINA, SASK.

Morris E.L. Sims, Manager
1908-11th Avenue

SASKATOON, SASK.

R. Eugene B. Griffith, Manager
234-21st Street East

WESTERN REGION

VANCOUVER, B.C.

Robert D. Quart, Manager
E. Wallace Campbell, Deputy Manager
466 Howe Street

Leonard E. Pitt, Manager
Oakridge Shopping Centre

CALGARY, ALTA.

Robert L. Schmidt, Manager
411-8th Avenue South West

EDMONTON, ALTA.

Norman C. Raymond, Manager
10185-102nd Street

Southgate Shopping Centre

KELOWNA, B.C.

Clarence A. Irish, Manager
262 Bernard Avenue

VICTORIA, B.C.

D.C. Michael Field, Manager
1057 Fort Street

OVERSEAS

HAMILTON, BERMUDA

Montreal Trust (Bermuda) Limited
W.T. Wilson, President

NASSAU, BAHAMAS

Montreal Trust Company (Bahamas) Limited
Donald R. Kester, President

REAL ESTATE OFFICES

Brockville • Burlington • Calgary (2)
Edmonton (3) • Halifax • Hamilton • Kelowna
London • Montreal (11) • Ottawa • Quebec (3)
Regina • Saint John, N.B. • St. John's, Nfld.
Saskatoon • Sherbrooke • Sudbury • Toronto (4)
Truro • Vancouver (4) • Victoria (2)
Windsor • Winnipeg

